



საქართველოს სტრატეგიისა და საერთაშორისო ურთიერთობათა კვლევის ფონდი
GEORGIAN FOUNDATION FOR STRATEGIC AND INTERNATIONAL STUDIES

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**IRAN AND GEORGIA – RELATIONS
COULD BE CLOSER**

ALEXANDER RONDELI

EXPERT OPINION



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Iran and the South Caucasus

Three regional super-powers use different “styles” and tools to increase their presence and even domination in the South Caucasus. Russia uses blackmail and bullying as well as economic and cultural tools with different “recipes” for each South Caucasian state. Turkey relies more on economic instruments. Iran has so far been less ambitious but only recently has started to activate its policy, more towards Georgia. As Richard Rousseau points out, Russia, Iran and Turkey, in order to dominate in the region, try to create “common and vital interests through the development of economic and strategic projects” on a bilateral level.¹

Iran essentially is a regional power with significant presence and ambitions in the Middle East and Central Asia as well as in Afghanistan and Pakistan but less in not in the South Caucasus. There is no doubt that Iran’s security interests are more in the Middle East and Central Asia as well as in Afghanistan and Pakistan than in the South Caucasus. Recently, however, the importance of the South Caucasus is becoming more and more visible. Owing to certain reasons, Azerbaijan, first of all, is an issue for Tehran. Until recently Iran has not been active in the South Caucasus but its economic and political activity in the region is starting to increase. It appears that Tehran considers the region in need of more attention and a proactive policy in order to neutralize possible threats coming from the South Caucasus and take advantage of the changing security environment in the region.

As Thomas de Waal argues: “Much of the Western world treats Iran as a pariah state. But countries surrounding Iran cannot afford to take an aggressive stance towards a big and powerful neighbor with whom they have so much everyday business.”²

Despite the fact that both Iran and Russia share some similar concerns in relation to the South Caucasus, Mohammad-Reza Djalili argues that: “Moscow has taken advantage of Iran’s isolation to reinforce first of all its own position in the region and, of course, favors its own interests at the expense of Iran’s.”³

For many Iranians, at least a part of the South Caucasus is lost Iranian land. In Iranian school textbooks, one can come across the following sentence: “The Eastern Caucasus or Georgia belonged to Iran but Iranian shahs became weak and Russian emperors took these lands from our shahs.” During one roundtable in Tehran, Iranian academics referred to Georgia as a former member of the “Confederation of Iranian States.” Azerbaijan is

also seen by Iranians as lost land. Knowing such a traditional view of Iran on the South Caucasus, it is not surprising that Iran is very sensitive about the activities of non-regional actors (Europeans, Americans) in the South Caucasus. Thus, one has to expect the negative reaction of Iran on any attempt of the South Caucasian states to develop very close relations, especially security relations, with Western Countries and the US and Israel, in particular. It is why Iran considers Georgia, as Kornely Kakachia mentions, as a “Westoxicated” regime, subsequent to the regional interests of the United States.⁴

Iran, after the August 2008 Russian-Georgian war, feels that Russia still remains the main player in the region. For this reason, Iran is even more cautious not to go against Russian interests therein. Iran is increasingly irritated by the growing Turkish influence in the South Caucasus, expecting that in the case of an improvement of Armenian-Turkish relations and a strengthening of Yerevan’s so-called “Western vector,” Tehran would be left with much less leverage on the region. Considering Azerbaijan as a problem for itself mainly because of the certain potential of irredentism towards Azerbaijani brethren living in large numbers in Iran, Tehran is especially sensitive towards Azerbaijan. Tehran is also seriously concerned with the slow but noticeable growth of Western influence in the South Caucasus and would be happy to expect more anti-Westernism from the countries of the region. This is perceived incessantly while talking to Iranian officials and diplomats who never miss an opportunity to remind South Caucasians that Europeans and especially Americans are “guests” and “aliens” for the region and that they come and go but Iran is a regional power and a close neighbor which is both friendly and ready to help.

Russia’s serious military presence in Armenia and the two provinces of Georgia – Abkhazia and South Ossetia – gives Moscow quite a privileged position vis-à-vis Turkey and Iran. Both countries essentially are rivals concerning their long-term interests in the South Caucasus. The same can be said about their attitudes towards Russia which still tries to restore its domination over the region. One has to agree with Stephen Larrabee and Alireza Nader that in the Caucasus: “Russia remains the permanent power and its political influence far surpasses Iranian and Turkish influence.”⁵ It is clear that both Iran and Turkey are quite sensitive about the activity of any non-regional actors in the region. The two of the so-called “regional super-powers” (Russia and Iran) are especially afraid of possible US or NATO military presence in the region.

Invading Georgia in 2008 and recognizing as independent states two Georgian breakaway territories and strengthening its military presence on the

southern slopes of the Caucasus range, Russia has changed the geopolitical situation in the region to its own favor. Considering Georgia as a key country in its plans to maintain domination over the South Caucasus, Russia is starting cultural and economic penetration into Georgia, considering the 2012 government change in the country as a window of opportunity to restore its influence – if not even more – over Georgia. Iran will not be particularly happy with Russians dominating Georgia but it would be more preferable for Iran than the US or NATO presence there. Iran has considerable fear of Georgia's possible integration into NATO.

Iran's Activity towards Georgia

In recent years Iran has made efforts to manifest itself as a prominent regional player and increase the dependencies of its neighbors on its energy sector. Iran's oil and gas are well known instruments of its influence but the expansion of its electricity generation sector is a relatively new phenomenon. Iran already exports electricity to Pakistan and India as well as to Afghanistan, Armenia, Iraq, Syria and Turkey.⁶ This policy strengthens its regional role and makes it less dependent on European energy projects.

So far, Iran does not have a serious role in the South Caucasus energy sphere. Azerbaijan managed to become a significant rival of Iran in terms of energy in the region. On one occasion, during a very critical situation for Georgia in the winter of 2006, Iran sold its natural gas to Georgia but at quite a high price and it was only a one-time occurrence. The only stable "energy relations" Iran has are with Armenia.

South Caucasus-Iranian relations are influenced and shaped not only by the regional context but also by Russian-Iranian, US-Iranian and European-Iranian relations. All three countries of the South Caucasus to a certain extent have become hostages of the abovementioned bilateral relations and rivalries.

Iran still lacks the resources to become a major economic actor in the region. So far, Iran's strategy in the South Caucasus has been predominantly defensive and cooperative rather than threatening and confrontational. As Sergey Markedonov argued in 2009: "Iran's Caucasus strategy has remained without the attention it deserved."⁷

Only recently has Iran activated its policy towards the region but this has been without any significant results. "As in the case of Turkey, Iran is not in the position to make major investments and the abysmal performance of the Iranian economy over the past two decades is hardly a model that the Caspian states would wish to emulate."⁸ The aforementioned was writ-

ten in 1999 but fits exactly to the Iran-South Caucasus economic relations today.

Iran traditionally supports the territorial integrity of Georgia and, as Sergey Markedonov mentions, “could be seen as an opponent of Moscow in its approaches to the ethno-political conflicts in Georgia. The Islamic republic is not ready to recognize the independence of Abkhazia and South Ossetia.”⁹ The reasons are clear – Iran itself is a multi-ethnic state, fearing separatism.

One has to stress Tehran’s very pragmatic policy in the region, contrary to the religious and radical rhetoric of the statements of Iranian authorities. In the Karabakh conflict, experts argue, Tehran is taking the side of the Christian Armenians and not of the Muslim, predominantly Shia Azerbaijan.¹⁰

One should not forget that the US policy of “reset” with Russia and shifting US strategic interests towards other regions of the world make the small South Caucasian states – Georgia, in particular (because of its clear pro-Western stance) – think more on the activation of its regional bilateral relations with its neighbor; namely, Iran. There was an incident in Georgian-Iranian relations in 2008 when Georgia arrested and extradited an Iranian citizen to the United States. Tehran considered it an insult and an anti-Iranian act. Consequently, Tehran, in fact, froze its relations with Tbilisi for almost more than two years. Only after the visit of the Georgian Foreign Minister to Iran in January 2010 did the situation change and bilateral relations improve.

Georgia has tried to make some positive steps towards Iran and it is mainly for this reason that the visa-free regime with Iran was introduced and the Iranian consulate was opened in Batumi.

Iranian trade and tourism levels in Georgia have increased exponentially since 2010 when Georgia introduced the visa-free regime for Iranians. “Imports have skyrocketed by more than 1,590 percent to USD 99,4 million while the number of Iranian tourists in Georgia has risen by 318,38 percent to 89,170 annually.”¹¹ The trade between Georgia and Iran increased up to USD 118,5 million in 2012.¹² These numbers are not high. For example, Georgia’s trade with Turkey in 2012 amounts to more than USD 1,3 billion.

There has also been a rapid increase of Iranian businesses in Georgia but they account for just 3.3 percent of the 43,907 new businesses registered in 2012.¹³ Iranian investments in 2012 amount to less than a USD half-million.

Under the conditions of strict international sanctions, Iran pays more attention to its South Caucasian neighbors and, in the recent years, to Georgia. In 2010-2013, Iran expanded its economic presence in Georgia, alarming Washington that Georgia is being used by Iran to diversify its economic activities in order to soften the impact of the sanctions.

Some media coverage has overestimated the extent of the economic relations between Tbilisi and Tehran. In absolute numbers, Iranian economic activity in Georgia so far has been insignificant and Iran's overall impact on the Georgian economy is minimal. One can also say that Iran has not benefitted much from its increased economic activity with Georgia.

Some publications in the Western media have triggered an interest towards Iranian activity in Georgia.¹⁴ Washington expressed its concerns regarding Iranian attempts to evade sanctions. Georgia, which considers the US as its most important partner in the West and Georgia's biggest foreign donor, took steps to distance itself from Iran, including the suspension of visa-free movement for Iranian citizens from July 1, 2013.¹⁵ There are signs that the exodus of Iranian businessmen from Georgia has already started. Mohammad Davar, Head of the Georgian-Iranian Business Cooperation Center, told the media that almost 1,7 thousand Iranian businessmen have left the country and many Iranian accounts in Georgian banks have been frozen alongside a good number of joint Georgian-Iranian projects having been closed.¹⁶

The Iranian reaction has been negative and Georgia has been accused of pleasing the West and, especially, the US and Israel. There is no doubt that Georgian actions have negatively affected its relations with Iran. The Caucasus is the geopolitical region which can be considered as a kind of geopolitical "Bermuda Triangle" for the three small countries located there. The US is far away and Europe is not powerful enough but Iran, Russia and Turkey are there.

The strengthening of business contacts between Georgia and Iran can only be seen as a natural process of improving relations between Tbilisi and Tehran. These relations have never been very close and even with the recent activation of bilateral economic relations, political relations remain on the practically same low level.

The concerns of the US that Tehran tries to use Georgia to evade sanctions were understood in Tbilisi with the Georgian Government having stated that it is "fully in line with the UN Security Council sanctions in Iran that are binding on all UN member states."

Still Room for Closer Relations

In recent years, more and more Iranians have been visiting Georgia. Unfortunately, the number of Georgian citizens visiting Iran is not significant and could be increased.

Iran has a lot to show, especially to Georgian visitors. There is no doubt that the cultural ties between the two countries can and will develop more but this will not come about without more active economic relations between the two countries. Iran is too serious a neighbor and Georgian-Iranian economic relations could assume a bigger scale.

Changes in Tehran and certain diplomatic developments between Iran and the West may create more favorable conditions for the further developing of Georgian-Iranian relations.

One can conclude that Georgia's policy in the region does not mean that it changes its strategic goals to join European and Euro-Atlantic structures. The primary goals remain the same but improving and developing relations with regional neighbors and contributing to regional security and stability necessarily include maintaining good neighborly relations with Iran.

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